GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:2744
ANSWERED ON:01.08.2002
DABHOL POWER PLANT
BASUDEB ACHARIA;JAGMEET SINGH BRAR

Will the Minister of POWER be pleased to state:

(a) whether recently the Ministry of Power and Ministry of Finance have turneddown the request of State Government regarding restarting of Dabhol Project;

(b) if so, whether the State Government appealed to NTPC for the revival;

(c) if so, whether financial institutions, IDBI have cooperated in this direction;

(d) if so, the details of offer of the State Government;

(e) the details of conditions of NTPC, IDBI, FIs;

(f) the efforts being made by the Government to save the project;

(g) the impact of failure of Enron in America on Indian Project; and

(h) the details of action plan and its present status?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRIMATI JAYAWANTI MEHTA)

(a) to (h) : The primary responsibility for finding an amicable solution to the various issues presently surrounding the project lies with the two parties to the Power Purchase Agreement, i.e. Maharashtra State Electricity Board (MSEB) & Dabhol Power Company (DPC) as also with the Government of Maharashtra, who have guaranteed the paymentobligations of MSEB to DPC.Government of India has agreed to facilitate the revival/restructuring of the project.

2. The Government of Maharashtra has written to NTPC suggesting participation bythe Corporation in the equity of DPC.The Government of Maharashtra have also writtento the Government of India requesting for the Government/Central Utilities like NTPC to step into the project. A Committee of the Indian Financial Institutions constitutedto evolve a road map for restructuring and revival of the Dabhol project has also suggested, inter-alia, the take over of the

Dabhol project by NTPC.The proposal was considered by the Government of India aswell as by NTPC and the same has not been found to be a feasible option. One of the main problems associated with the project is the high tariff and not the ownership of the project. The high tariff is attributable to high cost of fuel (naphtha), low off take of power by MSEB and fall of the Rupee vis-Ã -vis the Dollar.

3. NTPC, while disagreeing to take over the Dabhol project, have suggested to theGovernment of Maharashtra that it would be a better proposition that NTPC`s technicalservices are used on hands - off basis on payment of fees to technically advise / supervise the completion of the project and, if required, for the operation thereof.

4. The Financial Institutions led by the Industrial Development Bank of India, whdhave substantial stake in the Dabhol power project, have been discussing the matter with all concerned parties to restructure and revive the project. Among other things, the financial institutions are trying to re-start phase-I of the project. The Government of Maharashtra has informed that the MSEB could be asked to start buying power subject to certain conditions being first fulfilled, which include inter-alia, grant of some fiscal concessions by the Government of India, power being sold to MSEB at a price notexceeding Rs. 2.50 per unit (all inclusive), absolving MSEB ofany liabilities relating to phase-II of the project and taking up of project by the National Thermal PowerCorporation (NTPC), Gas Authority of India Ltd (GAIL) etc.

5. The Indian Financial Institutions led by the Industrial Development Bank ofIndia(IDBI) have initiatedthe selection process for

identifying new sponsors to replace the present offshore sponsors, who have desired to exit from the project., so that the project can be completed and operations restarted. IDBI has informed that the bankruptcy proceedings relating to Enron Corp., USA, who are one of the main promoters of the Dabhol project, have no impact on DPC or DPC`s assets and as such the same may notaffect the security interest of the DPC lenders. The new sponsors of the project areproposed to be inducted by way of sale of assets rather than by sale of equity.